



**Short Term Bond Fund (SLI)**  
**Manulife Asset Management Short Term Bond Fund**  
**Manulife Asset Management Ltd.**

**December 31, 2016**

**Lead manager(s):** Hosen Marjaee, Ara Froundjian      **Investment style:** Active

**Investment objective:** To provide interest income with limited fluctuations in capital by investing primarily in Canadian dollar denominated fixed-income securities of short duration.

**Last meeting date:** July 2016      **Next estimated meeting date:** Q4 2017

**Current rating:** **IN GOOD STANDING**

**Annual fund performance (%)**

	2012	2013	2014	2015	2016	5 yrs
<b>Short Term Bond Fund (SLI)</b>	N/A	1.82	3.43	2.79	1.48	N/A
DEX Short-Term Bond Index.	N/A	1.75	3.06	2.62	1.16	N/A
Value added (+) / lost (-)	N/A	0.07	0.37	0.17	0.31	N/A
Quartile ranking <sup>(1)</sup>	N/A	4 <sup>th</sup>	3 <sup>rd</sup>	1 <sup>st</sup>	4 <sup>th</sup>	N/A

**Short-term performance analysis**

- In 2016 the Fund outperformed its benchmark and is ranked fourth quartile against category peers.
- An underweight allocation to Treasuries and overweight to offerings from the financial sector were beneficial to relative returns.
- Over the 12-months ending December 31, 2016, as measured by the FTSE TMX Canada Bond Short Term Index, corporate bonds outperformed government bonds. Within corporate bonds, Corporate AAA/AA led both Corporate A and Corporate BBB rated bonds. This helped Fund management's strategy which held an overweight to corporate bonds.

**Long-term performance analysis**

- The Fund has outperformed its benchmark in 2013 through 2016.
- Over a 4-year period ending December 31, 2016, as measured by the FTSE TMX Canada Bond Short Term Index, corporate bonds outperformed government bonds. Within corporate bonds, Corporate BBB rated issues led both Corporate AAA/AA and Corporate A. This has helped Fund management which has held a consistent overweight to corporate bonds.
- There are no concerns with long-term performance.

## Significant corporate events

### Corporate

- In September 2014, Manulife Financial Corp. announced the acquisition of Standard Life PLC's Canadian operations. This transaction was closed on January 30, 2015 and the company is now part of Manulife.

### Fund specific

- In May 2015, as part of the planned integration process, Manulife Asset Management (MAM) implemented changes to some investment teams and capabilities. The Standard Life Short Term Bond Fund formerly managed by Ara Froundjian of SLI Canada is now managed by the Manulife Canadian Fixed Income team, which now includes Mr. Froundjian.
- Going forward, the fixed income team responsible for all actively managed Canadian fixed income strategies are headed by Terry Carr, the Head of MAM Canadian Fixed Income Team in Toronto. Jean-Pierre D'Agnillo, Ara Froundjian and Jose Saracut from the former SLI Canadian fixed income team have joined the MAM team, expanding its membership to 14 investment professionals.

## IMS commentary

- The Short Term Bond Fund (SLI) is an active fixed income mandate based on a balanced mix of interest rate anticipation, sector allocation and security selection. However, the Fund is expected to be structurally overweight high quality corporate bonds. A large portion of the Fund is invested in government, provincial and corporate bonds and cash may be held from time to time for cash administration and strategic purposes.
- Based on our due diligence, we are confident that the manager has remained within the stated investment philosophy and style.
- The Fund has added relative value over each calendar year since 2013 which has been reflected in the Fund's trailing and annual returns.
- There are no concerns with the integration of the former Standard Life investment personnel to the Manulife Canadian Fixed Income team. The team is deep, shares similar expertise with the Standard Life personnel, and has shown the ability to add value managing mandates of this type historically.

- Conclusion:**
- Due to the fact that 1) we are confident that the additions to the Manulife Canadian Fixed Income team will offer increased depth in the decision-making process, 2) the Fund will be managed in a similar manner going forward, and 3) the Fund has consistently outperformed its benchmark while remaining within the stated investment philosophy and style, IMS continues to rate this Fund In Good Standing.

<sup>(1)</sup> Quartile rankings are based on the underlying fund's returns.

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